

Free

MADSEN
RED LAKE GOLD
MINES,

L I M I T E D

ANNUAL REPORT
1976

ANNUAL MEETING JUNE 14, 1977

MADSEN RED LAKE GOLD MINES, LIMITED

directors

PAUL H. McCLOSKEY <i>Mining Executive</i>	Toronto
HUGH H. MACKAY <i>Director of Pitfield, Mackay, Ross & Company Limited, Investment Dealers</i>	Rothsay, N.B.
FOSTER W. HEWITT <i>Radio Executive, President of Radio Station CKFH</i>	Toronto
A. D. HELLENS <i>Mining Executive</i>	Toronto
R. DUNCAN McCLOSKEY, M.B.A., B.Sc. <i>Mining Executive</i>	Toronto

officers

PAUL H. McCLOSKEY, <i>President</i>	Toronto
FOSTER W. HEWITT, <i>Vice-President</i>	Toronto
S. CZARNECKI, <i>Secretary-Treasurer</i>	Toronto
R. DUNCAN McCLOSKEY, <i>Assistant to Secretary-Treasurer</i>	Toronto

MADSEN RED LAKE GOLD MINES, LIMITED

HEAD OFFICE 55 Yonge Street, Suite 1110, Toronto, Canada M5E 1J4.

TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA

88 University Avenue, 5th floor, Toronto, Canada M5J 1T8
427 St. James Street West, Montreal, Canada.

THE BANK OF NEW YORK 48 Wall Street, New York 10015, N.Y.

AUDITORS

JARRETT, GOOLD & ELLIOTT Suite 1406 - Royal Trust Tower.
Box 11, Toronto-Dominion Centre.
Toronto, Ontario M5K 1A7.

LISTED

TORONTO STOCK EXCHANGE 234 Bay Street, Toronto, Canada. M5J 1R1.

REPORT OF THE DIRECTORS

To The Shareholders:

Your Directors submit the 41st Annual Report which includes the Auditors' financial statement, covering the year ended December 31, 1976.

Under the terms of an agreement between Madsen and Bulora Corporation Limited, dated September 14, 1974, covering the sale to Bulora of the Company's mine and all adjacent mining properties and all mine buildings and mine equipment in the Red Lake area of Ontario, Madsen was to receive \$1,700,000 in cash and a royalty of 15% of the net proceeds received by Bulora from the operation of the Madsen mine. At December 31, 1976, \$1,450,297 of the \$1,700,000 was paid leaving an outstanding balance of \$249,703, payable by March 28, 1977. There were no royalty payments paid to Madsen. It is expected that the outstanding balance of \$249,703 owed by Bulora will be paid in full in 1977. This amount is secured by a debenture which is a first charge against the assets at the Madsen mine site.

Net earnings after extraordinary item (Note 4) were \$72,683 equal to .022¢ per share compared with .002¢ per share for the year 1975.

Working capital was \$2,713,606 at December 31, 1976, compared to \$2,858,750 at December 31, 1975, reflecting a decrease of \$145,144 for the year 1976, due to a revision in schedule of payments by Bulora.

The Company will continue to increase its investment portfolio in the natural resource industry and will consider participation, either directly or through operating companies, in worthwhile ventures.

Madsen purchased an additional 11,725 shares, totalling 212,225 shares of its own securities during the year at an average price of 49¢ per share, reflecting the confidence of the Directors in the future of the Company.

There was no change with respect to Baffinland Iron Mines during the year. Madsen has a 20.06% interest in Baffinland Iron Mines which company owns large iron ore deposits on Baffin Island. Although not yet under development, the deposits will have substantial future value.

There was no change with respect to Madsen's freehold land holdings in Saskatchewan in the year under review.

There was no change with respect to Lassie Red Lake Gold Mines Limited in the year 1976.

1977 First Quarterly Results

Earnings for the first quarter ended March 31, 1977, were \$9,243, down \$17,500 compared with same period of last year.

Income for the first quarter was \$31,920 compared to \$44,029 for similar period in 1976.

Working Capital was \$2,738,397 as compared to \$2,885,093 in similar period of 1976.

Respectfully submitted,

P.H. McCLOSKEY,

President.

Toronto, Ontario,
May 5th, 1977.

MADSEN RED LAKE GOLD MINES, LIMITED

STATEMENT OF EARNINGS

for the year ended December 31, 1976

	1976	1975
Investment income	\$ 208,830	\$ 101,917
Administration expense	85,927	108,949
Depreciation	220	275
	<u>86,147</u>	<u>109,224</u>
Earnings (loss) before taxes and extraordinary item	122,683	(7,307)
Income taxes		
Current	114,000	15,700
Deferred	(59,000)	(23,000)
	<u>55,000</u>	<u>(7,300)</u>
Earnings (loss) before extraordinary item	67,683	(7)
Extraordinary item (note 4)	5,000	6,000
Net earnings	<u>\$ 72,683</u>	<u>\$ 5,993</u>
Earnings per share before extraordinary item	\$.020	\$ —
Net earnings per share	<u>\$.022</u>	<u>\$.002</u>

STATEMENT OF RETAINED EARNINGS

for the year ended December 31, 1976

	1976	1975
Balance, beginning of year	\$1,453,103	\$1,447,110
Net earnings	<u>72,683</u>	<u>5,993</u>
Balance, end of year	<u>\$1,525,786</u>	<u>\$1,453,103</u>

BALANCE SHEET

December 31, 1976

ASSETS

	1976	1975
CURRENT ASSETS		
Cash	\$ 1,905	\$ 9,011
Short-term deposits	1,696,203	1,586,542
Accounts receivable	19,727	8,112
Note receivable		399,996
Marketable securities	1,106,252	894,759
(Market value 1976 \$1,011,990; 1975 \$966,998)		
	<u>\$2,824,087</u>	<u>\$2,898,420</u>
NOTE RECEIVABLE (note 2)	249,703	100,005
SHARES IN COMPANIES, at cost		
Baffinland Iron Mines Limited		
680,075 shares	576,451	576,451
Other	<u>44,835</u>	<u>44,835</u>
	621,286	621,286
FIXED ASSETS		
Furniture and equipment	20,708	20,708
Accumulated depreciation	<u>19,828</u>	<u>19,608</u>
	880	1,100
MINING PROPERTIES		
Mining claims	26,953	26,953
Deferred exploration expenditure	<u>11,390</u>	<u>7,765</u>
	38,343	34,718
	<u><u>\$3,734,299</u></u>	<u><u>\$3,655,529</u></u>

Approved by the Board:

P.H. McCLOSKEY, Director

R.D. McCLOSKEY, Director

MADSEN RED LAKE GOLD MINES, LIMITED

(Incorporated under the laws of Ontario)

LIABILITIES

	1976	1975
CURRENT LIABILITIES		
Accounts payable	\$ 5,994	\$ 36,247
Taxes payable	104,487	3,423
	110,481	39,670
DEFERRED INCOME TAXES	58,000	117,000
	168,481	156,670

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 3)	\$2,040,032	\$2,045,756
RETAINED EARNINGS	1,525,786	1,453,103
	3,565,818	3,498,859
	<u>\$3,734,299</u>	<u>\$3,655,529</u>

AUDITORS' REPORT

To the Shareholders,
Madsen Red Lake Gold Mines, Limited.

We have examined the balance sheet of Madsen Red Lake Gold Mines, Limited as at December 31, 1976 and the statements of retained earnings, earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
January 19, 1977.

JARRETT, GOOLD & ELLIOTT
Chartered Accountants

MADSEN RED LAKE GOLD MINES, LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 1976

	1976	1975
SOURCE OF WORKING CAPITAL		
From operations		
Earnings before extraordinary item	\$ 67,683	\$
Items not requiring an outlay of working capital		
Depreciation and amortization	220	
Deferred income taxes	(59,000)	
	8,903	
Reduction of income taxes (note 4)	5,000	
	13,903	
Current portion of note receivable		283,995
	13,903	283,995
APPLICATION OF WORKING CAPITAL		
To operations		
Loss before extraordinary item		7
Items not requiring an outlay of working capital		
Depreciation and amortization		(275)
Deferred income taxes		23,000
		22,732
Reduction of income taxes		(6,000)
		16,732
Outside exploration	3,625	3,079
Purchase of investment		1,250
Purchase of 11,725 shares of share capital of Company	5,724	98,279
Reclassification of notes receivable as non-current	149,698	
	159,047	119,340
(DECREASE) INCREASE IN WORKING CAPITAL	(145,144)	164,655
WORKING CAPITAL, BEGINNING OF YEAR	2,858,750	2,694,095
WORKING CAPITAL, END OF YEAR	<u>\$2,713,606</u>	<u>\$2,858,750</u>
COMPONENTS OF WORKING CAPITAL		
Current assets	\$2,824,087	\$2,898,420
Current liabilities	110,481	39,670
	<u>\$2,713,606</u>	<u>\$2,858,750</u>

MADSEN RED LAKE GOLD MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1976

1. Significant accounting policies

(a) *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets over their estimated useful lives on the diminishing-balance basis at an annual rate of 20%.

(b) *Mining properties and deferred exploration*

The Company carries its mining properties at cost. The Company defers the cost of its exploration expenditure and carries it as an asset until the results of the projects are known. If a project is successful the related exploration expenditures are amortized over a period of years, pro rata to anticipated income. If the project is unsuccessful, the exploration expenditure and mining claims are written off. The costs of mining claims and deferred exploration expenditure do not necessarily reflect present or future values.

(c) *Shares in Baffinland Iron Mines Limited*

The Company carries its 20.06% interest in Baffinland Iron Mines Limited, a company engaged in the exploration and development of an iron ore property at cost. Realization of an income on or recovery of the cost of these shares is subject to the development and production in sufficient quantity of ore of economic value.

(d) *Income taxes*

The Company uses the tax allocation method of accounting for taxes on income. Under this method, timing differences between reported income and taxable income result in deferred income taxes. Deferred income taxes arise mainly from the claiming of a reserve against unpaid amounts arising from the sale of its mining property.

2. Note receivable

Repayable in monthly instalments of \$33,333 with interest at 10% per annum and maturing on March 28, 1977.

Principal and interest payments are secured by a first mortgage charge against certain mining properties and equipment of the mortgagor.

As at December 31, 1976 the outstanding balance of principal consisted of:

Instalments in arrears	\$149,698
Instalments not yet due	100,005
	<u>\$249,703</u>

3. Share capital

The share capital of the Company consists of:

Authorized — 5,500,000 shares of no par value

Issued

	1976	1975
3,556,196 shares	\$2,144,035	\$2,144,035
212,225 shares (200,500 1975) purchased by the Company	104,003	98,279
<u>3,343,971 shares</u>	<u>\$2,040,032</u>	<u>\$2,045,756</u>

The Company purchased 200,500 of its shares on the open market for \$98,279 during 1975 and 11,725 shares for \$5,724 during 1976.

NOTES TO FINANCIAL STATEMENTS (cont'd)

4. Extraordinary item

The credit of \$5,000 in 1976 is the reduction in income taxes arising from claiming depreciation allowable for tax purposes in excess of that included in costs and expenses, and a deduction of mining exploration expenditures which are carried as a deferred expenditure in line with the Company's policy.

5. Statutory information

The aggregate direct remuneration paid to directors and senior officers (as defined in the Business Corporations Act, Ontario), was \$36,400 in 1976 and \$52,462 in 1975.

6. Earnings per share

The 11,725 shares purchased by the Company during the year do not have a material effect on the net income per share.

COMPARATIVE FINANCIAL SUMMARY

	December 31	
	1976	1975
Earnings before extraordinary item	\$ 67,683	\$ (7)
Net earnings (loss)	\$ 72,683	\$ 5,993
Earnings before extraordinary item per share	—	—
Net earnings (loss) per share	\$.022	\$.002
Dividend paid	—	—
Current assets	\$2,824,087	\$2,898,420
Current liabilities	\$ 110,481	\$ 39,670
Working capital	\$2,713,606	\$2,858,750
Shares issued	—	—

